



The President's Daily Brief

November 20, 1974

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~~Top Secret~~ 25X1

Exempt from general
declassification schedule of E.O. 11652
exemption category 5B(1),(2),(3)
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the Director of Central Intelligence

FOR THE PRESIDENT ONLY

November 21, 1974*

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*Information as of noon EST November 20, 1974.

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MIDDLE EAST

*Military activity in the Middle East
remained at a low level yesterday.*

Only two Israeli reconnaissance flights were
flown along the Suez Canal yesterday morning.
There were no indications of any Egyptian reaction
to these flights.

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NORTH VIETNAM

The annual dry season infiltration of men and materiel into South Vietnam appears to be under way.

As many as 18 infiltration groups are slated to move south between November 15 and December 21. All but 500 of the 10,000 troops involved are earmarked for the southern half of South Vietnam. Last year during the October to June period about 50,000 men were dispatched to the central highlands and southern South Vietnam to replace those lost in the spring and summer fighting.

North Vietnamese logistics units have started moving large amounts of weapons and ammunition, with several thousand tons of ordnance and other supplies shipped into South Vietnam in the past few weeks.

For the first time, the North Vietnamese have shifted part of the Military Region 559 headquarters, which controls supply shipments, into northern South Vietnam. This move indicates a sustained heavy supply flow through the area. Coming shipments are to include over fifty 130-mm. field guns, 600 mortars, and thousands of rounds of artillery ammunition.

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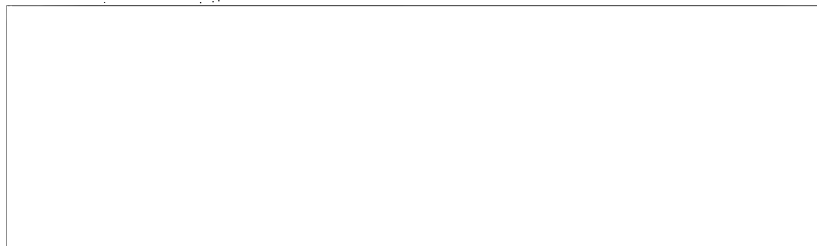
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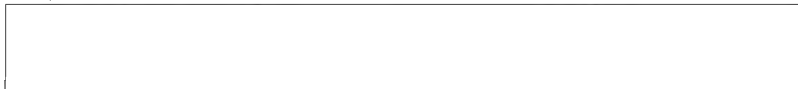
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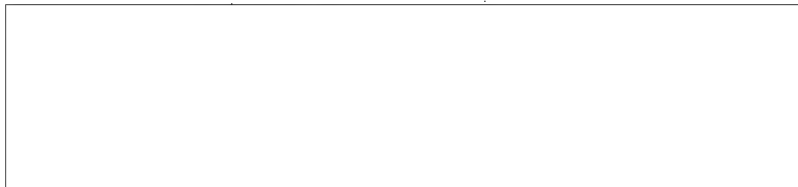
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USSR

The Soviets are promoting the formation of joint fishing companies with coastal states to reduce the impact of 200-mile fishing limits being imposed by many nations.

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[redacted]
[redacted] Soviet officials have contended that if the trend toward a 200-mile economic zone continues, half the Soviet fishing fleet--the world's largest--would be idled. Last year the Soviets caught about 9 million tons of fish, probably at least half within 200 miles of foreign shores. Fish supply some 15 to 18 percent of Soviet animal protein consumption.

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The Soviet Ministry of the Fishing Industry is proposing that a West European fishing engineering firm participate with the Soviets in the formation of joint ventures with coastal states. The Soviets would supply vessels and crews and would be willing to operate under the coastal state's flag. Fifty-one percent of the joint company would be owned by the host government with the remainder divided between the Soviet Fishing Ministry and the West European firm, which would manage the enterprise.

Proposals of this kind may also be offered to the US, Canada and Scandinavia, whose coastal waters provide a substantial portion of the Soviet catch.

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PORTUGAL

The conflict between leftist and moderate members of the ruling Armed Forces Movement has taken on a new dimension, as each faction maneuvers to put one of its own in position to succeed Prime Minister Goncalves.

There are reports that Goncalves submitted his resignation last Friday because of failing health, and the Prime Minister is said to be taking a week's rest in northern Portugal. Several sources of the US embassy have reported that he has been under severe mental strain and may be on the verge of a nervous breakdown.

In the past, common opposition to former President Spinoia served to unite the young officers of the Movement and generally kept their differences below the surface. Since Spinoia's ouster, the moderate majority has refused to be led by left-wingers and has become more outspoken.

The political atmosphere in Lisbon is also troubled by rumors of fresh right-wing plotting against the provisional government. Leftist leaders have been able to use the concern generated by such reports to rally their supporters against the "greater danger;" Portuguese Communist leader Cunhal used this argument in a speech just last week.

There is every reason to believe that right-wing forces are trying to work out a strategy that would return them to power, but there is no sign of any intent to take action in the immediate future.

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NOTES

China:

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China: The Chinese rejected an offer of US-origin scrap by a Japanese company earlier this month, maintaining their refusal to make new purchases of US steel scrap until the US fulfills contracts voided early this year by scrap export controls. China began to import scrap from the US in early 1973. When the US instituted scrap export controls in January 1974, Chinese contracts for 408,000 tons of scrap at prices 20 to 50 percent below current rates were annulled. Peking is likely to maintain its position at least until current high scrap prices recede and perhaps some compromise arrangement can be worked out.

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USSR: When the price of gold began its sharp rise in October--it hit a record high of \$190.50 on November 18--the Soviets increased the sale of gold from current production, which is about 285 tons a year. At the present rate, we expect sales for the year to total between 155 and 170 tons, roughly 800 to 850 million dollars. We believe the Soviets are simply taking advantage of the situation to build up their hard-currency reserves; they have no need to sell gold to pay for imports from the West since they will already be chalking up hard-currency trade surpluses this year and next.

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USSR-Spain: The Soviet and Spanish Communist parties have reached an accommodation which the Spanish Communists hope will give them a better chance to play a role in post-Franco Spain. The example of Portugal and Franco's advancing age seem to have convinced the Soviets of the advisability of mending fences with the Spanish party, which has criticized Soviet actions in the past. During talks last month with Spanish Communist leaders in Moscow, the Soviets promised to withhold further support from a dissident faction of the Spanish party. In addition, Moscow publicly endorsed the efforts of Secretary General Carrillo to promote formation of a united front with other opposition groups. The Spanish party is outlawed in Spain; Carrillo operates from exile in Paris.

Italy: The small Republican Party has agreed to join Aldo Moro's Christian Democrats in a two-party coalition government, with the Socialists and Social Democrats agreeing to provide the coalition with a parliamentary majority. Moro hopes to make a later attempt to revive the four-party coalition, but in any event will try to keep the lid on inter-party conflicts until nationwide local elections are held next June. Moro faces a serious fuel shortage this winter; it is probable that there will be electric power rationing, which will also create difficult political choices in allocating power between industry and other consumers.

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